

Message Text

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ORIGIN EB-08

INFO OCT-01 TRSE-00 IO-13 ISO-00 L-03 FRB-03 OMB-01

ITC-01 SP-02 AGRE-00 AID-05 CIAE-00 COME-00

INR-07 LAB-04 NSAE-00 OIC-02 SIL-01 STR-05 CEA-01

SS-15 PRS-01 INRE-00 SSO-00 USIE-00 /073 R

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FM SECSTATE WASHDC

TO AMEMBASSY KUALA LUMPUR IMMEDIATE

INFO USMISSION USUN NEW YORK IMMEDIATE

USMISSION GENEVA

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C O R R E C T E D C O P Y (PARA 3 LINE 2 OMITTED)

E.O. 11652: N/A

TAGS: EGEN, UNCTAD, UNGA, MY

SUBJECT: COMMON FUND

REF: KUALA LUMPUR 9595

1. SEPTTEL WILL REPORT ON THE OUTCOME OF UNGA RESOLUTION
ON COMMON FUND REGARDING MOFA SECRETARY GENERAL'S COMMENTS
REPORTED REFTTEL, FOLLOWING RESPONSE MAY BE USED FOR
AMBASSADOR'S DECEMBER 23 MEETING WITH MINISTER MUSA.

2. THE US DOES NOT SEE THE NEED FOR A COMMON FUND TO SERVE
AS A CATALYST FOR INTERNATIONAL COMMODITY AGREEMENTS (ICAS).

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THE FORMATION OF ICAS DEPENDS UPON THE DETERMINATION OF
PRODUCERS AND CONSUMERS IN INDIVIDUAL MARKETS THAT AN
ECONOMIC CASE EXISTS FOR COLLECTIVE ACTION, AND THAT
THEY ARE PREPARED, COLLECTIVELY, TO PROVIDE THE NECESSARY
FINANCING FOR SUCH AN EFFORT. IN CONTRAST, THE NOTION
THAT A COMMON FUND SHOULD PLAY A CATALYTIC ROLE IMPLIES
THAT THE EXISTENCE OF SUCH A FUND COULD LEAD TO THE FORMA-

TION OF ICAS FOR WHICH PRODUCERS AND CONSUMERS MIGHT NOT OTHERWISE FIND A COMPELLING NEED.

3. IF, FOR EXAMPLE, PRODUCERS AND CONSUMERS DECIDE TO ENTER NEGOTIATIONS ON A STABILIZATION AGREEMENT FOR A PARTICULAR COMMODITY, SUCCESS-OR FAILURE, WILL DEPEND ON WHETHER THE PARTICIPANTS ARE ABLE TO AGREE ON OBJECTIVES AND MECHANISMS TO ACHIEVE THESE OBJECTIVES. WE PRESUME THAT THE GOM IS NOT PROPOSING TO LINK THAT PROCESS TO THE OUTCOME OF THE COMMON FUND CONFERENCE.

4. IN THE RECENT GENEVA CONFERENCE, GROUP B ASSERTED THAT ITS COMMON FUND PROPOSAL WOULD "FACILITATE" THE FORMATION OF BUFFER STOCK AGREEMENTS BY PROVIDING THE OPPORTUNITY FOR PARTICIPATING ICAS TO ACHIEVE FINANCIAL ECONOMIES THROUGH POOLING OF THEIR CASH AND BORROWING RESOURCES. THIS APPROACH IS MORE LIMITED THAN THE G-77'S, BUT IT IS ALSO MORE WORKABLE AND REALISTIC SINCE IT IS BASED ON THE PRINCIPLE OF JOINT PRODUCER-CONSUMER RESPONSIBILITY FOR FUNDING AND MANAGEMENT OF INDIVIDUAL ICAS. PLACING THE FINANCIAL RESPONSIBILITY FOR ICAS WITH THE PRODUCERS AND CONSUMERS OF A PARTICULAR COMMODITY SHOULD ENSURE THAT SOUND AND NECESSARY MEASURES ARE TAKEN. DIVORCING POLICY FROM FINANCIAL RESPONSIBILITY, AS IN THE G-77 SCHEME, COULD PRODUCE THE OPPOSITE RESULT. VANCE

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